

JLC Position Paper
Military Family Relief Fund

1. **OBJECTIVE:** To exempt from Virginia Income Taxes distributions made from the Virginia Military Family Relief Fund (VMFRF).
2. **BACKGROUND:**
 - The VMFRF (Virginia Code 44-102.2) was established in 2006 to assist military families that are having difficulty meeting basic needs due to military deployments.
 - Under the VMFRF, Guardsmen and Reservists who have been called to extended active duty (periods in excess of 90 days) or their family members may apply for financial relief to meet basic needs, such as food, housing, utilities, and medical care.
 - Since inception, the VMFRF has provided relief to 95 families and disbursed \$98,100. The average disbursement was \$1,032.
 - Disbursements from the VMFRF are classified as taxable income under the Code.
3. **DISCUSSION:**
 - Taxing VMFRF disbursements means that only a portion of the funds may be used for the intended purpose. This is contrary to the purpose of the VMFRF, which is to provide relief to military families, not to return revenue to the state.
 - Based on an average of 50 households using VMFRF benefits per year, and each household paying a marginal tax rate of 5.75 percent, lost revenue to the Commonwealth would be less than \$3,000 per year.
4. **RECOMMENDATION:** That the Governor and General Assembly enact legislation to exempt from Virginia Income Taxes distributions made from the Virginia Military Family Relief Fund.